

## To Lend or Not (to Family and Friends)? - 05-14-2009

by vcmorris - The Thin Pink Line Blog: women and work, women and leadership, women and careers, women and negotiation, women and money, work/life balance - <http://thethinpinkline.com>

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by vcmorris - Thursday, May 14, 2009

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It was Shakespeare who so eloquently suggested: "Neither a borrower nor a lender be." I think he was talking about preservation - of one's money and one's friendships/relationships.

Though I've some very specific caveats about loaning money to family and friends - if you choose to borrow from or lend money to friends or relatives - you *can* do it successfully if you have the right attitude.

The first step is to make a plan. The next step is to be professional about it. The final step is to put it in writing. Some financial specialists even suggest using the services of an impartial third party to facilitate the loan. Yes, you'll have to pay for the services of a go-between but it's definitely money well spent.

Does the plan I've just suggested sound *too* much like you're loaning to a stranger for a business rather than "helping out" your adult child, sibling or other family member? Guess what? That's the idea. Otherwise loans motivated by and made in good faith can get very complicated and very uncomfortable.

According to Denver-based financial services specialist Nathan Hooks, *billions* of dollars in loans between friends and relatives are made every year. He says:

- the terms are often vague
- the options if the *borrower* encounters financial problems - aren't spelled out
- and after the loan is made - you and the borrower may feel awkward about the lack of a real repayment plan.

Hooks goes on to say that the reality of loaning to friends and family requires details such as:

- when will the loan be repaid
- what will the repayment schedule be
- and how to avoid any potential problems with the Internal Revenue Service

I'm convinced that the real bottom line about lending to family or friends is - do it right. When it's done right - meaning with the rules of engagement and repayment in place - loans between family and friends can benefit both the lender (getting a competitive return on her or his money) and the borrower (getting a good, friendly interest rate). That way both the borrower and lender can *profit*.

Here's to your health and wealth.

Nathan Hooks, a Denver, Colorado financial services professional can be reached at [nhooks@ft.newyorklife.com](mailto:nhooks@ft.newyorklife.com) or 303-871-7252 .

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